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\$175,000,000

Hecla Mining Company

**Liquid Yield Option™ Notes
due 2004
(Zero Coupon-Subordinated)**

PROSPECTUS

Merrill Lynch Capital Markets

June 7, 1989

™Trademark of Merrill Lynch & Co., Inc.

should generally result in capital gain or loss, if any, measured by the difference between the cash received for the fractional share interest and the Holder's tax basis in the fractional share interest.

Constructive Dividend

If at any time the Company makes a distribution of property to stockholders which would be taxable to such stockholders as a dividend for Federal income tax purposes (for example, distributions of evidences of indebtedness or assets of the Company, but generally not stock dividends or rights to subscribe for Common Stock) and, pursuant to the antidilution provisions of the Indenture, the Conversion Rate of LYONs is increased, such increase may be deemed to be the payment of a taxable dividend to Holders of LYONs.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has agreed, subject to the terms and conditions of the Purchase Agreement, to purchase the LYONs from the Company. The Underwriter has advised the Company that it proposes to offer the LYONs directly to the public at the offering price set forth on the front cover page of this Prospectus. After the initial public offering, the offering price may be changed. The LYONs are offered subject to receipt and acceptance by the Underwriter and to certain other conditions, including the right to reject orders in whole or in part.

The Company has granted the Underwriter an option for 30 days after the date of this Prospectus to purchase up to an additional \$26,250,000 aggregate principal amount at maturity of the LYONs to cover over-allotments, if any, at the initial public offering price less the underwriting discount.

The Company has agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriter may be required to make in respect thereof.

The Underwriter has previously marketed (and anticipates continuing to market) securities of issuers under the trademark LYONs. The LYONs offered by the Company hereby contain certain terms and provisions which are different from such other previously marketed LYONs. See "Description of LYONs."

LEGAL MATTERS

The validity of the issuance of the securities being offered hereby and certain other legal matters in connection with the shares offered hereby will be passed upon for the Company by Messrs. Wachtell, Lipton, Rosen & Katz, New York, New York. Shearman & Sterling will pass upon certain legal matters for the Underwriter. Mayer, Brown & Platt, Chicago, Illinois, will pass upon certain tax matters for the Underwriter.

EXPERTS

The consolidated balance sheets as of December 31, 1988 and 1987, and the consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1988, incorporated by reference in this Prospectus, have been incorporated herein in reliance on the report of Coopers & Lybrand, independent certified public accountants, given on the authority of that firm as experts in accounting and auditing.

A Holder of a LYON must include in gross income for Federal income tax purposes the sum of the daily portions of Original Issue Discount with respect to the LYON for each day during the taxable year or portion of a taxable year on which such Holder holds the LYON ("Accrued Original Issue Discount"). The daily portion is determined by allocating to each day of the accrual period a pro rata portion of an amount equal to the adjusted Issue Price of the LYON at the beginning of the accrual period multiplied by the yield to maturity of the LYON (determined by compounding at the close of each accrual period and adjusted for the length of the accrual period). The accrual period will be each six-month period which ends on the day in each calendar year corresponding to the maturity date of the LYON or the date six months before such maturity date. The adjusted Issue Price of the LYON at the start of any accrual period is the issue price of the LYON increased by the Accrued Original Issue Discount for each prior accrual period. Under these rules, Holders will have to include in gross income increasingly greater amounts of Original Issue Discount in each successive accrual period.

The certificate representing the LYONs will set forth the Issue Date, Issue Price, yield to maturity and amount of Original Issue Discount. The Company will be required to furnish annually to the IRS and to certain noncorporate Holders information regarding the amount of the Original Issue Discount attributable to that year.

Disposition or Conversion

A Holder's basis for determining gain or loss on the sale or other disposition of a LYON will be increased by any Accrued Original Issue Discount includible in such Holder's gross income. Gain or loss upon a sale or other disposition, except as described below, of a LYON (including a sale to the Company) will generally be capital gain or loss (which will be long term if the LYON is held for more than one year).

A Holder's conversion of a LYON into Common Stock is generally not a taxable event. The Holder's obligation to include in gross income daily portions of the Original Issue Discount with respect to a LYON will terminate on the date of conversion. The Holder's basis in the Common Stock received on conversion of a LYON will be the same as the Holder's basis in the LYON at the time of conversion, and the holding period for the Common Stock received on conversion will include the holding period of the LYON converted (assuming each is held as a capital asset). Gain or loss upon a sale or other disposition of the Common Stock received on conversion of a LYON will be capital gain or loss if the Common Stock is a capital asset in the hands of the Holder.

If the Holder elects to exercise his option to tender the LYONs to the Company on the Purchase Date and the Company issues the Extension Notes or Common Stock in satisfaction of the pre-maturity purchase price, such exchange should qualify as a reorganization for Federal income tax purposes and, therefore, neither gain nor loss would be recognized. In such event (i) a Holder's tax basis in the Extension Notes or Common Stock received in the exchange will be the same as the Holder's tax basis in the LYON tendered to the Company in exchange therefor (exclusive of any tax basis allocable to a fractional share interest as described below), and (ii) the holding period for Extension Notes or Common Stock received in the exchange will include the holding period for the LYON tendered to the Company in exchange therefor (assuming each is held as a capital asset).

Under a recently issued private letter ruling, the IRS has indicated that rights similar to the Rights may constitute "other property" which may cause a Holder of a LYON to recognize gain in an amount up to the fair market value of such Right upon a conversion of such LYON into Common Stock. The IRS is presently reevaluating this position and has indicated that it may not follow the position set forth in such private letter ruling.

Under the current advance ruling policy of the IRS, cash received in lieu of a fractional share of Common Stock upon conversion or purchase of a LYON should be treated as a payment in exchange for the fractional share interest in such Common Stock. Accordingly, if the Common Stock is a capital asset in the hands of the Holder, the receipt of cash in lieu of a fractional share of Common Stock

The Certificate of Incorporation also requires the approval by the holders of 80% of the then outstanding Voting Stock as a condition for mergers and certain other business combinations of the Company ("Business Combinations") with any holder of more than 12½% of such Voting Stock (an "Interested Shareholder") unless the transaction is either approved by at least a majority of the members of the Board of Directors who are unaffiliated with the Interested Shareholder and were directors before the Interested Shareholder became an Interested Shareholder (the "Continuing Directors") or certain minimum price and procedural requirements are met.

While the foregoing provisions contained in the Certificate of Incorporation and By-Laws of the Company as well as those in the Rights Plan are intended to encourage persons seeking to acquire control of the Company to initiate such an acquisition through arm's length negotiations with the Board of Directors, they could also have the effect of discouraging a third party from making a tender offer (including an offer at a substantial premium over the then current market value of the Common Stock) or otherwise attempting to obtain control of the Company even though such an attempt might be beneficial to the Company and its shareholders. Since such provisions may have the effect of giving the Board of Directors more bargaining power in negotiations with potential acquirors, they could also result in the Board of Directors using such bargaining power not only to try to negotiate a favorable price for an acquisition but also to negotiate more favorable terms for the management or the Board of Directors.

CERTAIN TAX ASPECTS

The following is a summary of the material Federal income tax consequences, based on current law, of the ownership, disposition and conversion of LYONs. Such tax treatment may vary depending upon a Holder's particular situation. This summary does not discuss all of the tax consequences which may be relevant to certain types of investors subject to special treatment under the Federal income tax laws (such as individual retirement accounts and other tax-deferred accounts, life insurance companies, tax-exempt organizations and foreign persons). This summary does not discuss the tax consequences to subsequent purchasers of LYONs and is limited to investors who hold LYONs as capital assets. Accordingly, purchasers of LYONs should consult their own tax advisors with respect to the particular consequences to them of holding LYONs, including the applicability and effect of any state, local or foreign tax laws to which they may be subject.

The Company has been advised by its counsel, Wachtell, Lipton, Rosen & Katz, that the LYONs will be treated as indebtedness for Federal income tax purposes. The following discussion of tax consequences assumes that the LYONs will be treated as indebtedness.

Original Issue Discount

The LYONs are being issued at a discount from their principal amount at maturity. For Federal income tax purposes, the difference between the Issue Price (the initial offering price to the public at which a substantial amount of LYONs are to be sold) and the principal amount at maturity of each LYON constitutes original issue discount ("Original Issue Discount"). Holders of the LYONs will be required to include Original Issue Discount in income periodically over the term of the LYONs before receipt of the cash attributable to such income. Proposed U.S. Treasury regulations regarding Original Issue Discount are not clear as to what are the "maturity date" and the "principal amount due at maturity" of a note issued at a discount which may be purchased by the Company before maturity in exchange for an interest-bearing note with a principal amount less than the amount due at maturity of the original note. The Company believes that Original Issue Discount with respect to a LYON should be calculated using either the Purchase Date and the amount due on the Purchase Date, or the final maturity date and the \$1,000 due on that date, both of which produce annual inclusions of Original Issue Discount of exactly the same amounts. The Company intends to file information returns with the Internal Revenue Service ("IRS") on this basis.

holder of a Right, other than Rights that were beneficially owned by an Acquiring Person on the earlier of the Distribution Date or the date an Acquiring Person acquires 20% or more of the outstanding Common Shares (which will become void), will thereafter have the right to receive upon exercise that number of Common Shares having a market value of two times the Purchase Price of the Right.

No Right is exercisable prior to the Distribution Date. The Rights will expire on May 19, 1996 (the "Final Expiration Date"), unless earlier redeemed. At any time prior to ten days following the public announcement that a Person or group of affiliated or associated Persons has become the beneficial owner of 20% or more of the outstanding Common Shares, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.05 per Right (the "Redemption Price"). Immediately upon the action of the Board of Directors ordering redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Pursuant to the Rights Plan, recipients of shares of Common Stock issued after May 19, 1986, but prior to the earlier of the Distribution Date, the Redemption Date or the Final Expiration Date, will under certain circumstances also receive one Right for each Common Share issued to them. Accordingly, shares of Common Stock issued upon purchase by the Company or conversion of the LYONs in accordance with the provisions of the Indenture and prior to the Distribution Date shall also be entitled to receive Rights, under the terms and subject to the conditions of the Rights Plan.

A Holder of LYONs who seeks to convert them into shares of Common Stock that include Rights must therefore convert the LYONs prior to the earlier of the Distribution Date, the Redemption Date or the Final Expiration Date. For information relating to the procedures to be followed for converting a LYON, see "Description of LYONs — Conversion Rights."

Certain Provisions of the Certificate of Incorporation and By-Laws

Certain provisions in the Company's Certificate of Incorporation and By-Laws may in certain circumstances have an anti-takeover effect. These provisions (1) classify the Board of Directors into three classes, as nearly equal in number as possible, each of which serve for three years, with one class being elected each year; (2) provide that directors may be removed only for cause and only with the approval of the holders of at least 80% of the voting power of the capital stock of the Company entitled to vote generally in the election of directors (the "Voting Stock"); (3) provide that any vacancy on the Board of Directors shall be filled only by the remaining directors then in office, though less than a quorum; (4) require that shareholder action be taken at an annual or special meeting of shareholders and prohibit shareholder action by consent; (5) provide that special meetings of shareholders of the Company may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors; and (6) provide that the shareholder vote required to alter, amend or repeal the foregoing provisions is 80% of the then outstanding Voting Stock.

The Certificate of Incorporation authorizes the issuance of 5,000,000 shares of Preferred Stock of which 273,000 shares have been reserved for issuance upon exercise of the Rights. It would be possible, within the limitations imposed by applicable law and the applicable rules of the securities exchanges upon which the Common Stock is listed, for the Board of Directors to authorize the issuance of one or more series of Preferred Stock with voting rights (including class voting rights) or other rights, powers and preferences which could impede the success of a proposed merger, tender offer, proxy contest or other attempt to gain control of the Company. In a takeover or similar situation, the issuance by the Board of Directors of Preferred Stock having voting rights could dilute the voting power of the shares of Common Stock held by a potential acquiror. Moreover, if the Preferred Stock were to be issued with class voting rights such an issuance could potentially confer veto power over the proposed transaction on a party friendly to the Company's management.

legally available therefor; and in the event of liquidation or dissolution of the Company, to share ratably in any distribution of the Company's assets. Holders of shares of Common Stock do not have preemptive rights or other rights to subscribe for unissued or treasury shares or securities convertible into such shares, and no redemption or sinking fund provisions are applicable. All outstanding shares of Common Stock are fully paid and nonassessable.

Preferred Share Purchase Rights

On May 9, 1986, the Company entered into a rights agreement (the "Rights Plan") with Manufacturers Hanover Trust Company, a national banking association, as trustee. Pursuant to the Rights Plan, the Company issued one preferred share purchase right (a "Right") for each share of Common Stock (as defined in the Rights Plan, the "Common Shares") outstanding on May 19, 1986.

The following description of the Rights Plan does not purport to be complete and is qualified in its entirety by reference to the terms of the Rights Plan, which is incorporated in this Prospectus by reference to the Company's Registration Statement on Form 8-A, dated May 19, 1986. For purposes of the following description of the Rights, capitalized terms otherwise not defined in this Prospectus shall have the meaning ascribed to them in the Rights Plan, and the definitions of such terms are incorporated herein by reference.

Each Right entitles the holder thereof (other than an Acquiring Person) to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Shares, \$0.25 par value ("Preferred Shares"), of the Company at a purchase price (the "Purchase Price") of \$47.50 per one-hundredth of a share, subject to certain anti-dilutive adjustments.

Pursuant to the Rights Plan, the Rights, prior to the Distribution Date, are evidenced by the certificates representing the Company's Common Shares and are transferred only therewith. As promptly as practicable following the Distribution Date, the Company will cause separate certificates representing the Rights to be mailed to each record holder of Common Shares as of the Distribution Date.

The "Distribution Date" is, generally, the earlier of (i) the tenth day after the first date of a public announcement that an Acquiring Person has become such, or (ii) the tenth day after the first date of the commencement of, or first public announcement of the intent of any Person (other than the Company and related subsidiaries and employee benefit plans, as defined in the Rights Plan) to commence, a tender or exchange offer the consummation of which would result in beneficial ownership by a Person of 30% or more of the Common Shares. "Acquiring Person" is, in general, a Person that beneficially owns 20% or more of the Company's Common Shares.

In the event that any person becomes an Acquiring Person, the Rights Plan provides that provision shall be made so that each holder of a Right, other than Rights that are or were owned beneficially by an Acquiring Person on or after the date upon which such person became an Acquiring Person (which Rights will become void), will thereafter have the right to receive upon exercise thereof, at the then current Purchase Price of the Rights, that number of Common Shares having a market value of two times the Purchase Price of the Right.

In the event that the Company is acquired in a merger or other business combination transaction or more than 50% of its consolidated assets or earning power is sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price of the Rights, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the Purchase Price of the Rights.

In the event that the Company is the surviving corporation in a merger and the Common Shares are not changed or exchanged, or in the event that any Acquiring Person engages in one of a number of self-dealing transactions specified in the Rights Plan or an Acquiring Person becomes the beneficial owner of 50% or more of the outstanding Common Shares, proper provision will be made so that each

Other Terms

The payment of principal (and premium, if any) and interest on the Extension Notes will be subordinated in right of payment, as set forth in the Extension Indenture, to the prior payment in full of all existing and future Senior Indebtedness whether outstanding on the date of the Extension Indenture or thereafter created, incurred, assumed or guaranteed. (Section 10.01.) The definition of Senior Indebtedness in the Extension Indenture is substantially identical to that contained in the Indenture. See "Description of LYONs — Subordination of LYONs; Effect of Corporate Structure." The Extension Notes will rank on a parity with any LYONs remaining outstanding after the issuance of the Extension Notes.

The Extension Indenture also contains other provisions substantially identical to those contained in the Indenture with respect to certain definitions; subordination; satisfaction and discharge of the Extension Indenture; merger and consolidation of the Company; the trustee thereunder; events of default; and modification and waiver. However, the Extension Notes will not be convertible into shares of any class of the Company's capital stock and will not include the right to be purchased by the Company at the option of the holder after any specified period or upon the occurrence of a Change in Control, and the Extension Notes will only be listed on a nationally recognized stock exchange if, in the opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated or its successor, such listing is appropriate to the issuance of the Extension Notes at the required market value. In addition, the Extension Notes will be payable only in cash and the Extension Indenture may contain such additional covenants and conditions as are requested by the Company, provided that such covenants and conditions will not adversely affect the rights of a holder of Extension Notes. (Section 3.08 of the Indenture.) Failure to make a payment of any interest continuing for 30 days (whether or not payment is prohibited by the subordination provisions of the Extension Indenture) and failure to pay the principal of (and premium, if any) on any Extension Note when due (whether at maturity or upon call for redemption, and whether or not payment is prohibited by the subordination provisions of the Extension Indenture) will also be events of default in addition to the Events of Default contained in the Indenture. (Section 6.01.) See "Description of LYONs-Events of Default; Notice and Waiver."

DESCRIPTION OF CAPITAL STOCK

The following statements with respect to the Company's capital stock are subject to the detailed provisions of the Company's certificate of incorporation, as amended (the "Certificate of Incorporation") and by-laws, as amended (the "By-Laws"), and to the Rights Plan (as defined below). These statements do not purport to be complete and are qualified in their entirety by reference to the terms of the Certificate of Incorporation, the By-Laws and the Rights Plan, which are incorporated by reference in this Prospectus.

Common Stock and Preferred Stock

The Company is authorized to issue 50 million shares of Common Stock, \$0.25 par value per share, of which 27,044,812 shares of Common Stock were issued as of March 31, 1989, including 41,008 shares held in the treasury of the Company. The Company is authorized to issue five million shares of preferred stock ("Preferred Stock"), \$0.25 par value per share, none of which are currently outstanding.

The Preferred Stock is issuable in series with such voting rights, if any, designations, powers, preferences and other rights and such qualifications, limitations and restrictions as may be determined by the Board of Directors of the Company. The Board may fix the number of shares constituting each series and increase or decrease the number of shares of any series.

Subject to the rights of the holders of any outstanding shares of Preferred Stock, each share of Common Stock is entitled to one vote on all matters presented to the shareholders, with no cumulative voting rights; to receive such dividends as may be declared by the Board of Directors out of funds

defined terms of the Extension Indenture are referred to, such provisions or defined terms are incorporated herein by reference. References herein are to sections of the Extension Indenture or paragraphs of the Form of Extension Notes unless otherwise noted.

General

The Extension Notes will be unsecured, subordinated obligations of the Company, will be limited in aggregate principal amount to \$456.39 per LYON (Issue Price plus accrued Original Issue Discount to the Purchase Date) for which the Extension Notes are issued upon payment of the Purchase Price, and will mature on June 14, 2004. The Company will pay interest on the Extension Notes semiannually following the issuance thereof on June 14 and December 14 of each year commencing December 14, 1994. (Form of Extension Note, paragraph 1.) The interest rate shall be the interest rate which, in the opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated or its successor, is the interest rate (taking into account the other terms of the Extension Notes) necessary to cause the Extension Notes to have an initial market value of or as near as possible to par on a fully distributed basis (assuming issuance as of the Company Notice Date). (Section 3.08 of the Indenture.) See "Description of LYONs — Purchase of LYONs at the Option of the Holder." No assurance can be given, however, that the Extension Notes when issued will trade at a price consistent with such market value.

Interest on the Extension Notes will be paid to the persons who are registered holders at the close of business on May 30 and November 29 next preceding the interest payment date. (Form of Extension Note, paragraph 2.) Interest will be computed on the basis of a year of twelve 30-day months. Principal (and premium, if any) and interest will be payable at the office of the Paying Agent (initially, the Extension Trustee) maintained for such purposes except that payment of interest may at the option of the Company be made by check mailed to the address of the person entitled thereto as it appears in the records of the Registrar. (Form of Extension Note, paragraph 2.) The Company shall maintain an office or agency where the Extension Notes may be presented for exchange or registration of transfer. (Section 2.03.)

There will be no sinking fund provided for the Extension Notes. The Extension Notes will not be convertible into shares of Common Stock or into other securities of the Company.

The Extension Notes will be issued only in fully registered form, without coupons, in denominations of \$1,000 and any integral multiple thereof. (Form of Extension Note, paragraph 8.) The Company will not charge a service charge for any registration of transfer or exchange of the Extension Notes; however, the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges payable in connection therewith. (Section 2.06.)

Redemption at the Option of the Company

The Extension Notes will be redeemable, in whole or in part, at the option of the Company, upon not less than 30 nor more than 60 days' notice at a redemption price equal to the outstanding principal amount of the Extension Notes, with interest accrued to the date fixed for redemption. Notice of redemption will be mailed to each holder of Extension Notes to be redeemed at the holder's address as shown on the records of the Registrar. (Section 3.03 and Form of Extension Notes, paragraphs 5 and 6.)

At the option of the Company, the terms of the Extension Notes may be revised in a manner which would make any provision of the Extension Notes or the Extension Indenture, including the covenants contained therein and the price or prices at which Extension Notes may be redeemed, more restrictive to the Company or beneficial to the holders of the Extension Notes, as determined in good faith by the Board of Directors of the Company (e.g., to restrict the period in which redemptions can be made or provide for a premium upon redemption). (Section 3.08 of the Indenture.)

for purposes of the Internal Revenue Code, to make any change that does not adversely affect the rights of any Holder of LYONs or to comply with any requirement of the Securities and Exchange Commission in connection with the qualification of the Indenture under the Trust Indenture Act of 1939. (Section 9.01.) No amendment may be made to the subordination provisions of the Indenture that adversely affects the rights of any holder of Senior Indebtedness then outstanding, unless the holders of such Senior Indebtedness (as required pursuant to the terms of such Senior Indebtedness) consent to such change. (Section 9.02.)

Modification and amendment of the Indenture or the LYONs may be effected by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount at maturity of the LYONs then outstanding. However, without the consent of each Holder affected thereby, no amendment may, among other things: (i) reduce the principal amount, Issue Price, Purchase Price, Change in Control Purchase Price or Redemption Price, or extend the stated maturity of any LYON or alter the manner or rate of accrual of Original Issue Discount or interest, or make any LYON payable in money or securities other than that stated in the LYON; (ii) make any change to the principal amount at maturity of LYONs whose Holders must consent to an amendment or any waiver under the Indenture or modify the Indenture provisions relating to such amendments and waivers; (iii) make any change that adversely affects the right to convert any LYON or the right to require the Company to purchase a LYON; (iv) modify the provisions of the Indenture relating to the subordination of the LYONs in a manner adverse to the Holders of the LYONs; or (v) impair the right to institute suit for the enforcement of any payment with respect to, or conversion of, the LYONs. (Section 9.02.)

Limitations of Claims in Bankruptcy

If a bankruptcy proceeding is commenced in respect of the Company, the claim of the Holder of a LYON is, under Title 11 of the United States Code, limited to the Issue Price of the LYON plus that portion of the Original Issue Discount that has accrued from the date of issue to the commencement of the proceeding.

Taxation of LYONs

See "Certain Tax Aspects" for a discussion of certain tax aspects which will apply to Holders of LYONs.

Information Concerning the Trustee

The Trustee would serve as Extension Trustee under the Extension Indenture, as described below. The Trustee is currently the trustee pursuant to a Rights Agreement between the Company and the Trustee dated May 9, 1986. See "Incorporation of Certain Documents by Reference; Description of Capital Stock — Preferred Share Purchase Rights."

DESCRIPTION OF EXTENSION NOTES

If the Company elects to purchase LYONs with its Subordinated Extension Notes due 2004 (see "Description of LYONs — Purchase of LYONs at the Option of the Holder"), the Company will issue the Extension Notes under an Extension Indenture (the "Extension Indenture") between the Company and Manufacturers Hanover Trust Company, a New York corporation, (the "Extension Trustee"). The Extension Indenture will be substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus is a part, subject to certain changes (not adversely affecting the rights of holders of Extension Notes) which may be made as specified in the Indenture. The following summaries of certain provisions of the Extension Notes and the Extension Indenture do not purport to be complete and are subject, and are qualified in their entirety by reference, to all of the provisions of the Extension Notes and the Extension Indenture, including the definitions therein of certain terms which are not otherwise defined in this Prospectus. Wherever particular provisions or

Price or Change in Control Purchase Price to the extent that payment of such interest shall be legally enforceable. (Form of LYON, paragraph 1.)

Under the Indenture, Events of Default are defined as: (i) default in payment of the Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price with respect to any LYON when such becomes due and payable (whether or not payment is prohibited by the provisions of the Indenture); (ii) failure by the Company to comply with any of its other agreements in the LYONs or the Indenture upon the receipt by the Company of notice of such default by the Trustee or by Holders of not less than 25% in aggregate principal amount at maturity of the LYONs then outstanding and the Company's failure to cure such default within 60 days after receipt by the Company of such notice; or (iii) certain events of bankruptcy or insolvency. (Section 6.01.)

The Trustee shall give notice to Holders of the LYONs of any continuing default known to the Trustee within 90 days after the occurrence thereof; provided, that the Trustee may withhold such notice if it determines in good faith that withholding the notice is in the interests of the Holders. (Section 7.05.)

The Holders of a majority in aggregate principal amount at maturity of the outstanding LYONs may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. Before proceeding to exercise any right or power under the Indenture at the direction of such Holders, the Trustee shall be entitled to receive from such Holders reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in complying with any such direction. (Section 6.05.) No Holder of any LYON will have any right to pursue any remedy with respect to the Indenture or the LYONs, unless (i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (ii) the Holders of at least 25% in aggregate principal amount at maturity of the outstanding LYONs shall have made a written request to the Trustee to pursue such remedy; (iii) such Holder or Holders have offered to the Trustee reasonable indemnity satisfactory to the Trustee; (iv) the Holders of a majority in aggregate principal amount at maturity of the outstanding LYONs have not given the Trustee a direction inconsistent with such request within 60 days after receipt of such request; and (v) the Trustee shall have failed to comply with the request within such 60-day period. (Section 6.06.)

However, the right of any Holder (x) to receive payment of the Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price and any interest in respect of a default in the payment of any such amounts on a LYON, on or after the due date expressed in such LYON or (y) to institute suit for the enforcement of any such payments or conversion or (z) to convert LYONs shall not be impaired or adversely affected without such Holder's consent. (Section 6.07.) The Holders of at least a majority in aggregate principal amount at maturity of the outstanding LYONs may waive an existing default and its consequences, other than (i) any default in any payment on the LYONs, (ii) any default with respect to the conversion rights of the LYONs or (iii) any default in respect of certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each LYON as described in "Modification" below. (Section 6.04.)

The Company will be required to furnish to the Trustee annually a statement as to any default by the Company in the performance and observance of its obligations under the Indenture. (Section 4.03.)

Modification

Without the consent of any Holder of LYONs, the Company and the Trustee may amend the Indenture to cure any ambiguity, defect or inconsistency, to provide for the assumption by a successor corporation of the obligations of the Company under the Indenture, to provide for uncertificated LYONs in addition to certificated LYONs so long as such uncertificated LYONs are in registered form

report under the Exchange Act) disclosing that such person has become the Beneficial Owner of 50% or more of the Company's Common Stock or other Capital Stock of the Company into which the Common Stock is reclassified or changed, or (ii) there shall be consummated any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock (or such other Capital Stock) would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Common Stock (or such other Capital Stock) immediately prior to the merger have the same proportionate ownership, directly or indirectly, of common stock of the surviving corporation immediately after the merger. (Section 3.09.)

The Change in Control purchase feature of the LYONs may in certain circumstances make more difficult or discourage a takeover of the Company and, thus, the removal of incumbent management. The Change in Control purchase feature, however, is not the result of management's knowledge of any specific effort to accumulate shares of Common Stock or to obtain control of the Company by means of a merger, tender offer, solicitation or otherwise, or part of a plan by management to adopt a series of anti-takeover provisions. Instead, the Change in Control purchase feature is a standard term contained in other LYONs offerings that have been marketed by the Underwriter, and the terms of such feature result from negotiations between the Company and the Underwriter. The Company's certificate of incorporation and by-laws also contain certain provisions that may in certain circumstances have an anti-takeover effect. See "Description of Capital Stock — Certain Provisions of the Certificate of Incorporation and By-Laws." Management has no present intention to propose other anti-takeover measures, although it is possible that circumstances could arise which would cause the Company to do so.

No LYONs may be purchased if there has occurred and is continuing an Event of Default described under "Events of Default; Notice and Waiver" below (other than a default in the payment of the Change in Control Purchase Price with respect to such LYONs). (Sections 3.10 and 10.03.)

Mergers and Sales of Assets by the Company

The Company may not consolidate with or merge into any other person or convey, transfer or lease its properties and assets substantially as an entirety to another person, unless, among other items, (i) the resulting, surviving or transferee person (if other than the Company) is organized and existing under the laws of the United States, any state thereof or the District of Columbia and such person assumes all obligations of the Company under the LYONs and the Indenture, and (ii) the Company or such successor person shall not immediately thereafter be in default under the Indenture. (Section 5.01.) Certain transactions occurring on or prior to June 14, 1994 would constitute a Change in Control of the Company permitting each Holder to require the Company to purchase the LYONs of such Holder as described above. (Section 3.09.)

Events of Default; Notice and Waiver

The Indenture provides that, if an Event of Default specified therein shall have happened and be continuing, either the Trustee or the Holders of not less than 25% in aggregate principal amount at maturity of the LYONs then outstanding may declare the Issue Price of the LYONs plus the Original Issue Discount on the LYONs accrued to the date of such declaration to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the Issue Price of the LYONs plus the Original Issue Discount accrued thereon to the occurrence of such event shall automatically become and be immediately due and payable. See "Subordination of LYONs; Effect of Corporate Structure". Under certain circumstances, the Holders of a majority in aggregate principal amount at maturity of the outstanding LYONs may rescind any such acceleration with respect to the LYONs and its consequences. (Section 6.02.) Interest shall accrue and be payable on demand upon a default in the payment of the Issue Price, accrued Original Issue Discount, or any Redemption Price, Purchase

Change in Control Permits Purchase of LYONs at the Option of the Holder

In the event of any Change in Control (as defined below) of the Company occurring on or prior to June 14, 1994, each Holder of LYONs will have the right, at the Holder's option, subject to the terms and conditions of the Indenture, to require the Company to purchase all or any part (provided that the principal amount at maturity must be \$1,000 or an integral multiple thereof) of the Holder's LYONs on the date that is 35 Business Days after the occurrence of such Change in Control (the "Change in Control Purchase Date") at a cash price equal to the Issue Price plus accrued Original Issue Discount to the Change in Control Purchase Date (the "Change in Control Purchase Price"). (Section 3.09 and Form of LYON, paragraph 6.)

Within 15 Business Days after the Change in Control, the Company is obligated to mail to the Trustee and to all Holders of LYONs at their addresses shown in the register of the Registrar (and to beneficial owners as required by applicable law) a notice regarding the Change in Control, which notice shall state, among other things: (i) the last date on which the purchase right may be exercised, (ii) the Change in Control Purchase Price, (iii) the Change in Control Purchase Date, (iv) the name and address of the Paying Agent and the Conversion Agent, (v) the Conversion Rate and any adjustments thereto, (vi) that LYONs with respect to which a Change in Control Purchase Notice is given by the Holder may be converted into shares of Common Stock only if the Change in Control Purchase Notice has been withdrawn in accordance with the terms of the Indenture, and (vii) the procedures that Holders must follow to exercise these rights. The Company will cause a copy of such notice to be published in a daily newspaper of national circulation.

To exercise this right, the Holder must deliver a Change in Control Purchase Notice to the Paying Agent (initially the Trustee) at its office in the Borough of Manhattan, The City of New York, or any other office of the Paying Agent maintained for such purpose, of the exercise of such right on or prior to the Change in Control Purchase Date. The Change in Control Purchase Notice shall state (i) the certificate numbers of the LYONs to be delivered by the Holder thereof for purchase by the Company; (ii) the portion of the principal amount at maturity of LYONs to be purchased, which portion must be \$1,000 or an integral multiple thereof; and (iii) that such LYONs are to be purchased by the Company on the Change in Control Purchase Date pursuant to the applicable provisions of the LYONs. (Section 3.09.)

Any Change in Control Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent prior to or on the Change in Control Purchase Date. The notice of withdrawal shall state the principal amount at maturity and the certificate numbers of the LYONs as to which the withdrawal notice relates and the principal amount at maturity, if any, which remains subject to a Change in Control Purchase Notice. (Section 3.10.)

Payment of the Change in Control Purchase Price for a LYON for which a Change in Control Purchase Notice has been delivered and not withdrawn is conditioned upon delivery of such LYON (together with necessary endorsements) to the Paying Agent at its office in the Borough of Manhattan, The City of New York, or any other office of the Paying Agent maintained for such purpose, at any time (whether prior to, on or after the Change in Control Purchase Date) after the delivery of such Change in Control Purchase Notice. Payment of the Change in Control Purchase Price for such LYON will be made promptly following the later of the Change in Control Purchase Date or the time of delivery of such LYON. (Section 3.09.) If the Paying Agent holds, in accordance with the Indenture, money sufficient to pay the Change in Control Purchase Price of such LYON on the Business Day following the Change in Control Purchase Date, then, on and after such date, Original Issue Discount on such LYON will cease to accrue, whether or not such LYON is delivered to the Paying Agent, and all other rights of a Holder shall terminate (other than the right to receive the Change in Control Purchase Price upon delivery of the LYON). (Section 2.08.)

Under the Indenture, a "Change in Control" of the Company is deemed to have occurred at such time as (i) any person, including its Affiliates and Associates, other than the Company, its Subsidiaries or their employee benefit plans, files a Schedule 13D or 14D-1 (or any successor schedule, form or

no closing sale price is reported, the average of the high and low bid prices) on such date as reported in the composite transactions for the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional stock exchange, as reported by the National Association of Securities Dealers Automated Quotation System. Because the Market Price of the Common Stock is determined prior to the Purchase Date, Holders of LYONs bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to the Purchase Date. The Company may elect to pay in Common Stock only if the information necessary to calculate the Market Price is reported in a daily newspaper of national circulation. (Section 3.08.)

The Indenture requires that the Extension Note Interest Rate be determined as of the fifth Business Day prior to the Purchase Date according to the spread to the interest rate of a U.S. Treasury security that matures at approximately the same time as the Extension Notes and taking into account all the terms and conditions of the Extension Notes. The Company Notice will advise Holders of the U.S. Treasury security pursuant to which the Extension Note Interest Rate will be calculated and the spread that will be applied to determine the Extension Note Interest Rate. Prior to the Company Notice Date, the Company shall have obtained an opinion from Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any successor thereto) to the effect that the Interest Rate Method as so specified in the Company Notice would cause the Extension Notes to have a market value at or as near as possible to par on a fully distributed basis (assuming issuance as of the Company Notice Date). No assurance can be given, however, that the Extension Notes when issued will trade at a price consistent with such market value. The Company may elect to pay in Extension Notes only if information regarding the interest rate of the U.S. Treasury security pursuant to which the Extension Note Interest Rate is determined is published in a daily newspaper of national circulation. (Section 3.08.)

Upon determination of the actual number of shares of Common Stock or of the Extension Note Interest Rate in accordance with the foregoing provisions, the Company will publish such determination in a daily newspaper of national circulation. (Section 3.08.)

The Company's right to purchase LYONs with Extension Notes or shares of Common Stock is subject to the Company satisfying various conditions, including: (i) the registration of the Extension Notes or the Common Stock, as the case may be, under the Securities Act and the Exchange Act, if applicable; (ii) the qualification of an Extension Indenture covering the Extension Notes under the Trust Indenture Act of 1939, as amended, if applicable; and (iii) any necessary qualification or registration under applicable state law or the availability of an exemption from such qualification or registration. If such conditions are not satisfied by June 14, 1994, the Company will pay the Purchase Price of the LYONs in cash. (Section 3.08.)

Payment of the Purchase Price for a LYON for which a Purchase Notice has been delivered and not withdrawn is conditioned upon delivery of such LYON (together with necessary endorsements) to the Paying Agent at its office in the Borough of Manhattan, The City of New York, or any other office of the Paying Agent maintained for such purpose, at any time (whether prior to, on or after the Purchase Date) after delivery of such Purchase Notice. Payment of the Purchase Price for such LYON will be made promptly following the later of the Purchase Date or the time of delivery of such LYON. (Section 3.08.) If the Paying Agent holds, in accordance with the Indenture, money or securities sufficient to pay the Purchase Price of such LYON on the Business Day following the Purchase Date, then, on and after such date, Original Issue Discount on such LYON will cease to accrue, whether or not such LYON is delivered to the Paying Agent, and all other rights of a Holder shall terminate (other than the right to receive the Purchase Price upon delivery of the LYON). (Section 2.08.)

No LYONs may be purchased if there has occurred and is continuing an Event of Default described under "Events of Default; Notice and Waiver" below (other than a default in the payment of the Purchase Price with respect to such LYONs). (Sections 3.10 and 10.03.)

Purchase of LYONs at the Option of the Holder

On June 14, 1994 (the "Purchase Date"), the Company will purchase, at the option of the Holder thereof, any outstanding LYON for which a written Purchase Notice has been delivered by the Holder to the office of the Paying Agent (initially the Trustee) at any time on or prior to the Purchase Date and not withdrawn, subject to certain additional conditions.

The Purchase Notice shall state (i) the certificate numbers of the LYONs to be delivered by the Holder thereof for purchase by the Company; (ii) the portion of the principal amount at maturity of LYONs to be purchased, which portion must be \$1,000 or an integral multiple thereof; and (iii) that such LYONs are to be purchased by the Company on the Purchase Date pursuant to the applicable provisions of the LYONs.

Any Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent prior to or on the Purchase Date. The notice of withdrawal shall state the principal amount at maturity and the certificate numbers of the LYONs as to which the withdrawal notice relates and the principal amount at maturity, if any, which remains subject to the Purchase Notice. (Section 3.10.)

The Purchase Price payable to the Holder of a LYON demanding purchase thereof is \$456.39 (Issue Price plus accrued Original Issue Discount to the Purchase Date) payable by the Company, at its option, entirely either in cash, shares of Common Stock or Extension Notes, but not in any combination thereof (except for the payment of cash for fractional shares of Common Stock or fractional Extension Notes).

If the Company elects to pay the Purchase Price in shares of Common Stock, the number of shares to be delivered in respect of the Purchase Price shall be equal to the Purchase Price divided by the Market Price of the Common Stock. Shares of Common Stock issued upon purchase of the LYONs in accordance with the provisions of the Indenture and prior to the Distribution Date (as defined below), shall also be entitled to receive Rights (as defined below), under the terms and subject to the conditions of the Rights Plan (as defined below). (See "Description of Capital Stock — Preferred Share Purchase Rights.") If the Company elects to pay the Purchase Price in Extension Notes, the aggregate principal amount of Extension Notes to be issued in respect of the Purchase Price shall be equal to the Purchase Price. However, no fractional shares of Common Stock and no Extension Notes in denominations of other than \$1,000 principal amount or an integral multiple thereof (valued at par) will be delivered upon any purchase by the Company of LYONs through the delivery of any such security in payment of the Purchase Price. Instead, the Company will pay cash based on the Market Price for all fractional shares of Common Stock or cash based on the principal amount (valued at par) for all fractional Extension Notes. (Section 3.08.)

The Company will give notice (the "Company Notice") not less than 20 Business Days prior to the Purchase Date (the "Company Notice Date") to all Holders at their addresses shown in the register of the Registrar (and to beneficial owners as required by applicable law) stating, among other things, whether the Company will pay the Purchase Price of the LYONs in cash, Common Stock or Extension Notes and, if the Company elects to pay in Common Stock, the method of calculating the Market Price of the Common Stock, or, if the Company elects to pay in Extension Notes, a description of the Interest Rate Method designated by the Company which will be used to determine the Extension Note Interest Rate (the annual rate of interest) that the Extension Notes will bear and any material additional terms of the Extension Notes or any material amendments to the Extension Indenture. (Section 3.08.)

The "Market Price" means the average of the Sale Price (as defined below) of the Common Stock for the five Business Day period ending three Business Days prior to the Purchase Date, appropriately adjusted to take into account the occurrence during the eight Business Days preceding such Purchase Date of certain events that would result in an adjustment of the Conversion Rate with respect to the Common Stock. The "Sale Price" of the Common Stock on any date means the closing sale price (or if

right to convert it into securities, cash or other assets of the Company or another person. (Section 11.14.)

In the event of a taxable distribution to holders of Common Stock which results in an adjustment of the Conversion Rate, the Holders of the LYONs may, in certain circumstances, be deemed to have received a distribution subject to Federal income tax as a dividend. See "Certain Tax Aspects."

Redemption of LYONs at the Option of the Company

No sinking fund is provided for the LYONs. Prior to June 14, 1991, the LYONs will not be redeemable at the option of the Company unless the Quoted Price of the Common Stock shall have equaled or exceeded \$22.21 per share (subject to adjustment in certain circumstances) for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days prior to the date of the notice of redemption. Subject to the foregoing, the Company may redeem the LYONs as a whole at any time, or from time to time in part. (Section 3.03 and Form of LYON, paragraph 5.) Not less than 30 days' nor more than 60 days' notice of redemption shall be given by mail to Holders of LYONs. (Section 3.03 and Form of LYON, paragraph 7.)

The table below shows the Redemption Prices of a LYON per \$1,000 principal amount at maturity: at issuance on June 14, 1989, at each June 14 thereafter prior to maturity and at maturity on June 14, 2004, which prices reflect the accrued Original Issue Discount calculated to each such date. The Redemption Price of a LYON redeemed between such dates would include an additional amount reflecting the additional Original Issue Discount accrued since the next preceding date in the table. (Form of LYON, paragraph 5.)

| Redemption Date | (1) LYON Issue Price | (2) Accrued Original Issue Discount at 8.00% | (3) Redemption Price (1) + (2) |
|---------------------|----------------------------|---|---|
| At issuance | \$308.32 | \$ 0.00 | \$ 308.32 |
| June 14, 1990 | 308.32 | 25.16 | 333.48 |
| June 14, 1991 | 308.32 | 52.37 | 360.69 |
| June 14, 1992 | 308.32 | 81.80 | 390.12 |
| June 14, 1993 | 308.32 | 113.64 | 421.96 |
| June 14, 1994 | 308.32 | 148.07 | 456.39 |
| June 14, 1995 | 308.32 | 185.31 | 493.63 |
| June 14, 1996 | 308.32 | 225.59 | 533.91 |
| June 14, 1997 | 308.32 | 269.16 | 577.48 |
| June 14, 1998 | 308.32 | 316.28 | 624.60 |
| June 14, 1999 | 308.32 | 367.25 | 675.57 |
| June 14, 2000 | 308.32 | 422.37 | 730.69 |
| June 14, 2001 | 308.32 | 482.00 | 790.32 |
| June 14, 2002 | 308.32 | 546.48 | 854.80 |
| June 14, 2003 | 308.32 | 616.24 | 924.56 |
| At maturity | 308.32 | 691.68 | 1,000.00 |

If less than all of the outstanding LYONs are to be redeemed, the Trustee shall select the LYONs to be redeemed in principal amounts at maturity of \$1,000 or integral multiples thereof by lot, pro rata or by another method the Trustee considers fair and appropriate. If a portion of a Holder's LYONs is selected for partial redemption and such Holder converts a portion of such LYONs, such converted portion shall be deemed to be of the portion selected for redemption. (Section 3.02.)

defined below), shall also be entitled to receive Rights (as defined below), under the terms and subject to the conditions of the Rights Plan (as defined below). (See "Description of Capital Stock — Preferred Share Purchase Rights.")

To convert a LYON into shares of Common Stock, a Holder must (i) complete and manually sign the conversion notice on the back of the LYON (or complete and manually sign a facsimile thereof) and deliver such notice to the Conversion Agent, or, if applicable, complete and deliver to the Depository Trust Company ("DTC", which term includes any successor thereto) the appropriate instruction form for conversion pursuant to DTC's book entry conversion program, (ii) surrender the LYON to the Conversion Agent by physical or book entry delivery (which is not necessary in the case of conversion pursuant to DTC's book entry conversion program), (iii) if required, furnish appropriate endorsements and transfer documents, and (iv) if required, pay all transfer or similar taxes. Although surrender of a LYON may be effected by book entry delivery at DTC, a completed and manually signed conversion notice must, in any event, be delivered to the Conversion Agent. Pursuant to the Indenture, the date on which all of the foregoing requirements have been satisfied is the Conversion Date. (Section 11.02 and Form of LYON, paragraph 9.)

Book entry delivery of a LYON to the Conversion Agent may be made by any financial institution that is a participant in DTC. It is expected that any LYON which is held in an account maintained at DTC by a financial institution that is a participant in DTC will be eligible for conversion under DTC's book entry conversion program. Conversion of LYONs through such program, however, will be subject to continued eligibility requirements thereunder. The Company has been advised that in certain circumstances involving tender offers and similar transactions, DTC may suspend the eligibility of the LYONs for conversion under its book entry conversion program.

On conversion of a LYON, a Holder will not receive any cash payment representing accrued Original Issue Discount. The Company's delivery to the Holder of the fixed number of shares of Common Stock into which the LYON is convertible will be deemed to satisfy the Company's obligation to pay the principal amount of the LYON including the accrued Original Issue Discount attributable to the period from the Issue Date to the Conversion Date. Thus, the accrued Original Issue Discount is deemed to be paid rather than cancelled, extinguished or forfeited. The Conversion Rate will not be adjusted at any time during the term of the LYONs for such accrued Original Issue Discount. (Section 11.02.)

The Conversion Rate will be adjusted for dividends or distributions on Common Stock payable in Common Stock or certain other Capital Stock; subdivisions, combinations or certain reclassifications of Common Stock; distributions to all holders of Common Stock of certain rights to purchase Common Stock for a period of 60 days at less than the Quoted Price at the time; and distributions to such holders of assets or debt securities of the Company or certain rights to purchase securities of the Company (excluding cash dividends or other cash distributions from current or retained earnings other than any Extraordinary Cash Dividend). However, no adjustment need be made if Holders may participate in the transaction or in certain other cases. In cases where the fair market value of assets, debt securities or certain rights, warrants or options to purchase securities of the Company distributed to shareholders exceeds the Average Quoted Price of the Common Stock, or such Average Quoted Price exceeds the fair market value of such assets, debt securities or rights, warrants or options so distributed, by less than \$1.00, rather than being entitled to an adjustment in the Conversion Rate, the Holder of a LYON upon conversion thereof will be entitled to receive, in addition to the shares of Common Stock into which such LYON is convertible, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that such Holder would have received if such Holder had converted such LYON immediately prior to the record date for determining the shareholders entitled to receive the distribution. The Indenture permits the Company to increase the Conversion Rate from time to time. (Sections 11.06, 11.07, 11.08, 11.12, 11.14 and 11.17 and Form of LYON, paragraph 9.)

If the Company is a party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of its assets, the right to convert a LYON into Common Stock may be changed into a

Senior Indebtedness of such acceleration. The Company may not pay the LYONs until 120 days have passed after such acceleration occurs and may thereafter pay the LYONs if the terms of the Indenture otherwise permit payment at that time. (Section 10.03.)

No payment of the Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price or interest, if any, with respect to any of the LYONs, may be made, nor may the Company acquire any LYONs except as set forth in the Indenture, if any default with respect to Senior Indebtedness occurs and is continuing that permits the acceleration of the maturity thereof and such default is either the subject of judicial proceedings or the Company receives notice of the default, unless (a) 120 days pass after notice of the default is given and such default is not then the subject of judicial proceedings or the default with respect to the Senior Indebtedness is cured or waived and (b) the terms of the Indenture otherwise permit the payment or acquisition of the LYONs at that time. (Section 10.04.)

The LYONs are obligations exclusively of the Company. Since the operations of the Company are currently conducted in part through subsidiaries, the cash flow and the consequent ability to service debt, including the LYONs, of the Company are dependent, in part, upon the earnings of its subsidiaries and the distribution of those earnings to or upon loans or other payments of funds by those subsidiaries to the Company. The subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the LYONs or to make any funds available therefor, whether by dividends, loans or other payments. In addition, the payment of dividends and certain loans and advances to the Company by its subsidiaries may be subject to certain statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business considerations.

The LYONs will be effectively subordinated to all indebtedness (including trade payables) of the Company's subsidiaries. Any right of the Company to receive assets of any of its subsidiaries upon their liquidation or reorganization (and the consequent right of the Holders of the LYONs to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors, except to the extent that the Company is itself recognized as a creditor of such subsidiary, in which case the claims of the Company would still be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by the Company.

As of March 31, 1989, the Company had approximately \$40.4 million of Debt (excluding accrued interest thereon) which would have constituted Senior Indebtedness. The Company will have approximately \$0.4 million of Senior Indebtedness outstanding after application of a portion of the net proceeds of this offering. There are no restrictions in the Indenture on the creation of additional Senior Indebtedness (or any other indebtedness). The subsidiaries of the Company currently have no indebtedness outstanding.

Conversion Rights

A Holder of a LYON may convert it into Common Stock of the Company at any time before the close of business on June 14, 2004; provided, however, that if a LYON is called for redemption, the Holder may convert it only until the close of business on the Redemption Date. A LYON in respect of which a Holder has delivered a Purchase Notice or a Change in Control Purchase Notice exercising the option of such Holder to require the Company to purchase such LYON may be converted only if such notice is withdrawn in accordance with the terms of the Indenture. (Form of LYON, paragraph 9.) A Holder may convert a portion of such Holder's LYONs so long as such portion is \$1,000 principal amount at maturity or an integral multiple thereof.

The initial Conversion Rate is 20.824 shares of Common Stock per LYON, subject to adjustment upon the occurrence of certain events. See "Price Range of Common Stock." A Holder entitled to a fractional share of Common Stock shall receive cash equal to the then current market value of such fractional share. (Form of LYON, paragraph 9.) Shares of Common Stock issued upon conversion of the LYONs in accordance with the provisions of the Indenture and prior to the Distribution Date (as

General

The LYONs will be unsecured obligations of the Company limited to \$175,000,000 aggregate principal amount at maturity (\$201,250,000 aggregate principal amount at maturity if the Underwriter's over-allotment option is exercised in full) and will mature on June 14, 2004. The principal amount at maturity of each LYON is \$1,000 and will be payable at the office of the Paying Agent, initially the Trustee, in the Borough of Manhattan, The City of New York, or any other office of the Paying Agent maintained for such purpose. (Sections 2.03 and 4.05 and Form of LYON, paragraph 3.)

The LYONs are being offered at a substantial discount from their principal amount at maturity. See "Certain Tax Aspects — Original Issue Discount." There will be no periodic payments of interest. The calculation of the accrual of Original Issue Discount (the difference between the Issue Price and the principal amount at maturity of a LYON) in the period during which a LYON remains outstanding, will be on a semiannual bond equivalent basis using a year composed of twelve 30-day months; such accrual will commence on the initial issue date of the LYONs. (Form of LYON, paragraph 1.) Maturity, conversion, purchase by the Company at the option of a Holder, or redemption of a LYON will cause Original Issue Discount and interest, if any, to cease to accrue on such LYON, under the terms and subject to the conditions of the Indenture. (Section 2.08.) The Company may not reissue a LYON that has been converted, purchased by the Company at the option of a Holder, redeemed or otherwise cancelled (except for registration of transfer, exchange or replacement thereof). (Section 2.10.)

The LYONs will be issued only in fully registered form, without coupons, in denominations of \$1,000 of principal amount at maturity or an integral multiple thereof. (Form of LYON, paragraph 11.) LYONs may be presented for conversion at the office of the Conversion Agent and for exchange or registration of transfer at the office of the Registrar, each such agent initially being the Trustee. (Section 2.03.) The Company will not charge a service charge for any registration of transfer or exchange of LYONs; however, the Company may require payment by a Holder of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection therewith. (Section 2.06.)

Subordination of LYONs; Effect of Corporate Structure

Indebtedness evidenced by the LYONs will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all existing and future Senior Indebtedness of the Company. (Section 10.01 and Form of LYON, paragraph 8.) Senior Indebtedness is defined in the Indenture as the principal of (and premium, if any) and unpaid interest on and other amounts due on or in connection with any Debt incurred, assumed or guaranteed by the Company, whether outstanding on the date of the Indenture or thereafter incurred, assumed or guaranteed, and all renewals, extensions and refundings of any such Debt. Excluded from the definition of Senior Indebtedness are the following: (a) any Debt which expressly provides (i) that such Debt shall not be senior in right of payment to the LYONs, or (ii) that such Debt shall be subordinated to any other Debt of the Company, unless such Debt expressly provides that such Debt shall be senior in right of payment to the LYONs; (b) Debt of the Company in respect of the LYONs; and (c) Debt of the Company in respect of the Extension Notes which may be issued in the future (which Extension Notes will rank on a parity with the LYONs). (Section 10.01.)

By reason of such subordination, in the event of dissolution, insolvency, bankruptcy or other similar proceedings, upon any distribution of assets, (i) the Holders of LYONs will be required to pay over their share of such distribution to the holders of Senior Indebtedness until such Senior Indebtedness is paid in full; and (ii) creditors of the Company who are not Holders of LYONs or holders of Senior Indebtedness may recover less, ratably, than holders of Senior Indebtedness and may recover more, ratably, than the Holders of the LYONs. (Section 10.02.)

In the event that the LYONs are declared due and payable prior to their Stated Maturity by reason of the occurrence of an Event of Default, then the Company is obligated to promptly notify holders of

The Company and Highwood Resources Ltd. ("Highwood") of Vancouver, British Columbia, entered into a joint venture in 1986 to investigate the feasibility of developing the Thor Lake property located in the Northwest Territories. The property consists of five potential mineralized deposits containing beryllium, yttrium, niobium and rare earths. Of the five mineralized deposits, only two have been sufficiently drilled to establish mineralized material. The Thor Lake deposits contain mineral-bearing material of approximately 1.8 million tons of 0.76% beryllium oxide, of which approximately 507,000 tons contain a grade of 1.11% beryllium oxide, 0.17% yttrium oxide, and 0.58% niobium oxide.

If the decision to bring the property into production is made, the Company, by exercising its option, will become the operator and a 50% owner of the Thor Lake property. The Company has done extensive market research indicating a strong growth potential for beryllium alloys. The Company is continuing to evaluate the economic feasibility of the project. The Company, through a second joint-venture agreement with Highwood, is continuing to examine the feasibility of developing the yttrium and niobium mineralizations at Thor Lake and is exploring for other rare earths and specialty metal deposits elsewhere in Canada.

Industrial Minerals

The Company's principal industrial minerals assets are its ball clay operations in Kentucky, Tennessee and Mississippi; its kaolin operations in South Carolina and Georgia; and its volcanic rock (scoria) products operations in southern Colorado and northern New Mexico.

Kentucky-Tennessee Clay Company. Kentucky-Tennessee Clay Company ("K-T Clay"), a wholly owned subsidiary of the Company, mines, processes and ships a complete line of ball clays. Ball clay is a fine-grained, plastic white firing clay used principally for bonding in ceramic ware. In 1988, the Company shipped 431,641 tons of ball clay. In February 1989, K-T Clay Company purchased the kaolin operations and assets of Cyprus Minerals Company's clay division for approximately \$11.2 million. The acquisition included kaolin mines and plants located at Deepstep and Sandersville, Georgia, and Aiken, South Carolina. Kaolin, or china clay, is a relatively pure white clay of sedimentary origin. K-T Clay's kaolin production is used principally in ceramic whiteware, in textile fiberglass, as rubber and paper fillers and in miscellaneous plastic adhesives and pigment applications. The Company expects to distribute a significant portion of its kaolin production through its existing ball clay distribution network due to a common customer base in the ceramic industry.

Colorado Aggregate Company. Colorado Aggregate Company, a wholly owned subsidiary located in southern Colorado and in northern New Mexico, mines and sells volcanic rock (scoria), primarily for landscaping and for use as briquettes in gas barbecue grills. In 1988, Colorado Aggregate Company shipped 68,065 tons of scoria.

DESCRIPTION OF LYONS

The LYONs are to be issued under an indenture to be dated as of June 1, 1989 (the "Indenture"), between the Company and Manufacturers Hanover Trust Company, a New York corporation, as trustee (the "Trustee"). A copy of the form of Indenture is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of the LYONs and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the LYONs and the Indenture, including the definitions therein of certain terms which are not otherwise defined in this Prospectus. Wherever particular provisions or defined terms of the Indenture (or of the Form of LYON which is a part thereof) are referred to, such provisions or defined terms are incorporated herein by reference. References herein are to sections in the Indenture and paragraphs in the Form of LYON.

of 1989. In the event that the Company is delayed in construction or in obtaining regulatory approvals, commencement of gold production will not occur prior to the Spring of 1990.

In addition to the proven and probable reserves at Yellow Pine, 15 to 20 million tons of mineralized sulfide material, containing 0.1 ounces of gold per ton, have been discovered at the property. Gold is more difficult to economically recover from these materials and the Company is currently evaluating the economic feasibility of developing and mining the Yellow Pine sulfide mineralization.

Galena and Coeur. The Company has minority participating interests in the Galena and Coeur silver mines which are both operated by ASARCO Incorporated. The Company's share of 1988 production was 381,078 ounces of silver and 105,781 ounces of silver at the Galena and Coeur mines, respectively.

Escalante. The mining operations at the Escalante silver mine were discontinued in December 1988 after the ore body was mined out. The Company plans to process the remaining stockpiled ore through 1990. At March 31, 1989, there were approximately 430,000 tons of ore stockpiled at Escalante, containing an estimated 6.6 ounces of silver per ton.

Apex. In March 1989, the Company expanded its efforts in specialty metals with the acquisition of the Apex germanium-gallium-copper mine and processing plant for approximately \$5.5 million from Musto Exploration Ltd. ("Musto"). The Company decided to purchase the Apex property after feasibility studies and metallurgical testing indicated that mining and treatment plant efficiencies developed by the Company could lead to substantially improved results over those realized by Musto.

Following rehabilitation of the mine and structural modifications to the treatment plant, Hecla anticipates commencing production at Apex by the end of 1989. The final products will be sodium germanate concentrate, 99.99% pure gallium metal and a copper product with sodium germanate. The major uses of germanium are in infrared optics, fiber optics and chemical products, while the major uses of gallium are in light-emitting diodes and other electronic equipment.

Exploration and Development Activities. The Company conducts its exploration activities from offices located in Coeur d'Alene, Idaho, Reno, Nevada, and Toronto, Ontario. The Company owns or controls in excess of 25,000 acres of patented and unpatented mining claims and Crown grant claims in thirteen states and in Quebec, Ontario, Nova Scotia, Northwest Territories and British Columbia, Canada.

In May 1989 the Company announced the formation of a joint exploration company (Lucky Eagle) with Agnico-Eagle Mines Limited ("Agnico-Eagle") of Toronto, Ontario. Hecla and Agnico-Eagle will contribute exploration properties to Lucky Eagle thereby earning 57% and 43% ownership interests, respectively. Hecla will manage domestic exploration activities while Agnico-Eagle will manage Canadian exploration activities. The Company anticipates that Lucky Eagle may provide expanded opportunities and capabilities for Canadian exploration, as well as additional funding for domestic exploration programs.

The Company owns approximately 43% of Granduc Mines Limited, a British Columbia company holding a 40% interest in a gold-silver property (Sulphurets property), located in a remote area in Northern British Columbia. Underground exploration openings and recent drilling results have identified over 200 thousand tons of mineralized material containing approximately 0.35 ounces of gold per ton and approximately 23 ounces of silver per ton. The Company is currently evaluating the economic feasibility of recovering this material.

The Company has entered into agreements and incurred costs in connection with the Mooseland project located in Nova Scotia, Canada. Exploration and development work at Mooseland have included the construction of a surface facility and headframe and the sinking of a shaft for further underground exploration. A feasibility study consisting of an underground exploration program and pilot plant metallurgical testing will be required to determine the economic viability of the project. The Company has recently placed the Mooseland project on a standby basis.

"Reserves" are that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. Reserves are customarily stated in terms of "ore" when dealing with metalliferous minerals. "Ore" means material that can be mined and processed at a profit.

(2) Commercial operations were suspended at the Lucky Friday Unit on April 11, 1986, and resumed on June 1, 1987.

The revenues and profitability of the Company are influenced primarily by the prices of gold and silver. The following table summarizes average gold and silver prices for the past five fiscal years and for the three months ended March 31, 1989.

| | Three Months Ended 3/31/89 | 1988 | 1987 | 1986 | 1985 | 1984 |
|---|-------------------------------------|-------|-------|-------|-------|-------|
| Gold — \$ per oz. (London Final) ... | \$394 | \$437 | \$446 | \$368 | \$317 | \$360 |
| Silver — \$ per oz. (Handy & Harman) | 5.93 | 6.53 | 7.01 | 5.47 | 6.14 | 8.14 |

Republic. The Republic gold property continues to be the largest contributor to the Company's revenues and gross profit. Gold production at the Republic property has increased substantially over the past three years, largely as a result of the Company's development and exploration of the Republic Golden Promise area. In 1988, the Republic property produced 80,301 ounces of gold.

The Company's Republic land position consists of approximately five square miles where it is currently focusing significant exploration and development efforts in its search for additional gold mineralization. These efforts have resulted in the Company increasing its reserves to 526,700 tons averaging 0.9 ounces of gold per ton and have further identified additional mineral bearing material of approximately 930 thousand tons averaging .25 ounces per ton of gold and 1.01 ounces per ton of silver. The Company currently believes the Republic property may hold potential for additional lower-grade bulk tonnage mineralization. There can be no assurance that the additional mineral bearing material or lower-grade bulk tonnage mineralization can be economically recovered.

Greens Creek. The Company purchased a 28% interest in the Greens Creek silver-gold-zinc-lead property in May 1987. BP Minerals America is the operator of the Greens Creek project, located on Admiralty Island near Juneau, Alaska. Initial ore production began in February 1989 following substantial completion of surface construction of the mill, mine buildings, shiploading facility and underground development.

The Company believes that Greens Creek will be among the largest and lowest cost domestic silver mines at a planned production rate of 1,000 tons of ore per day currently expected to be attained by the end of 1989. The low silver production costs are expected largely as a result of the gold, zinc and lead byproducts contained in the Greens Creek ore reserves which are credited against the cost of production. Exploration efforts at Greens Creek are continuing and drilling results to date indicate significant potential for additional ore reserves.

Lucky Friday. In 1988, the Lucky Friday mine produced 1,786,716 ounces of silver, 778 ounces of gold and 12,675 tons of lead. The Company continues to implement the Lucky Friday Underhand Longwall mining method in the deeper portion of the Lucky Friday mine to achieve an acceptable production capacity, improved safety conditions and reduced mining costs. Without this new mining method, the Lucky Friday mine would be unworkable in certain areas due to the unstable nature of the rock.

Yellow Pine. The Yellow Pine property produced 20,701 ounces of gold in 1988 under a processing agreement with Pioneer Metals Corporation of Vancouver, British Columbia. The Company is currently constructing its own processing plant at the Yellow Pine property which will begin production following receipt of regulatory approvals. If there are no significant delays in construction or in obtaining such approvals, the Company expects to begin gold production in the Fall

Metals Segment

The Company's metals segment consists of seven precious metals operations in the United States and several exploration and development properties in the United States and Canada. The Company's principal assets within the metals segment include the Republic gold mine, and the Greens Creek and Lucky Friday silver mines. In addition, the Company has interests in the Yellow Pine gold mine and in the Galena, Coeur and Escalante silver mines. The following table summarizes Hecla's metals segment production during the past five fiscal years:

| | <u>1988</u> | <u>1987(1)</u> | <u>1986(1)</u> | <u>1985</u> | <u>1984</u> |
|-----------------------|-------------|----------------|----------------|-------------|-------------|
| Gold (Ounces) | 102,813 | 71,516 | 40,554 | 41,710 | 27,218 |
| Silver (Ounces) | 4,465,626 | 3,795,507 | 4,370,389 | 7,925,824 | 8,445,412 |
| Lead (Tons) | 12,675 | 4,548 | 10,890 | 34,789 | 31,522 |

(1) Commercial operations were suspended at the Lucky Friday mine on April 11, 1986, and resumed on June 1, 1987.

The following table sets forth the proven and probable ore reserves by property at the end of the years 1986 through 1988:

| <u>Property</u> | <u>Year</u> | <u>Tons Processed</u> | <u>Hecla Share of Reserves (Tons) (1)</u> | <u>Silver (Oz./Ton)</u> | <u>Gold (Oz./Ton)</u> | <u>Lead (Percent)</u> | <u>Zinc (Percent)</u> | <u>Copper (Percent)</u> |
|------------------------|-------------|---------------------------|---|-----------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|
| Republic Unit | 1988 | 79,210 | 526,700 | 4.0 | .9 | — | — | — |
| | 1987 | 72,491 | 514,800 | 3.6 | .8 | — | — | — |
| | 1986 | 58,681 | 372,000 | 4.5 | 1.0 | — | — | — |
| Greens Creek Unit | 1988 | — | 980,000 | 24.0 | .18 | 3.9 | 9.7 | — |
| | 1987 | — | 980,000 | 24.0 | .18 | 3.9 | 9.7 | — |
| | 1986 | — | — | — | — | — | — | — |
| Lucky Friday Unit | 1988 | 120,200 | 598,200 | 15.4 | — | 13.0 | 2.3 | — |
| | 1987 | 45,165 (2) | 639,100 | 15.9 | — | 12.3 | 2.2 | — |
| | 1986 | 82,041 (2) | 604,200 | 16.7 | — | 12.3 | 1.9 | — |
| Yellow Pine Unit . . | 1988 | 278,193 | 815,000 | — | .09 | — | — | — |
| | 1987 | — | 815,000 | — | .08 | — | — | — |
| | 1986 | — | — | — | — | — | — | — |
| Galena Unit | 1988 | 25,262 | 154,925 | 16.4 | — | 2.0 | — | .5 |
| | 1987 | 25,094 | 149,700 | 16.1 | — | 2.1 | — | .5 |
| | 1986 | 25,102 | 129,700 | 15.6 | — | 2.4 | — | .5 |
| Coeur Unit | 1988 | 7,219 | 21,935 | 16.7 | — | — | — | .7 |
| | 1987 | 7,728 | 24,800 | 16.6 | — | — | — | .8 |
| | 1986 | 7,731 | 35,000 | 19.8 | — | — | — | .9 |
| Escalante Unit | 1988 | 304,245 | — | — | — | — | — | — |
| | 1987 | 294,098 | 586,600 | 7.9 | — | — | — | — |
| | 1986 | 305,717 | 917,700 | 9.4 | — | — | — | — |

(1) "Proven Reserves" are resources for which tonnage is computed from dimensions revealed in workings and drill holes and for which the grade is computed from the results of detailed sampling. The sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape and mineral content are all established. The computed tonnage and grade are judged to be accurate, within limits which are stated, and no such limit is judged to be different from the computed tonnage or grade by more than 20%.

"Probable Reserves" are sources for which tonnage and grade are computed primarily from specific measurements, samples or production data, and partly from projection for a reasonable distance on geologic evidence. The sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to permit the mineral bodies to be outlined completely, or the grade established throughout.

(Footnote continues on the following page)

BUSINESS

The Company is engaged, directly or through subsidiaries, in the mining and processing of gold, silver and other nonferrous metals, with additional interests in ball clay, kaolin, volcanic rock (scoria) products and certain other minerals in the United States. The Company is further engaged on its own behalf and through joint ventures in the exploration and development of precious and specialty metals and industrial mineral properties in the United States and Canada.

Gold is currently the Company's largest single source of sales and gross profit. In 1988, the Company produced approximately 103,000 ounces of gold, primarily from the Republic and Yellow Pine mines. The Company continues to be a major domestic producer of newly-mined silver. The Company has also expanded its operations in industrial minerals through its ball clay, kaolin and scoria operations.

The percentage of sales by product is reflected in the following table:

| Product | Three Months Ended March 31, | | Year Ended December 31, | | | | |
|------------------|------------------------------|-------------|-------------------------|-------------|-------------|-------------|-------------|
| | 1989 | 1988 | 1988 | 1987 | 1986 | 1985 | 1984 |
| Gold | 31.1% | 33.1% | 42.4% | 38.2% | 23.8% | 14.6% | 7.8% |
| Silver | 28.1 | 30.8 | 27.0 | 33.3 | 39.8 | 53.5 | 60.9 |
| Lead | 5.4 | 3.8 | 5.2 | 2.3 | 1.5 | 3.5 | 5.3 |
| Ball clay | 18.3 | 18.9 | 18.2 | 19.9 | 27.0 | 21.3 | 15.2 |
| Kaolin | 5.6 | — | — | — | — | — | — |
| Scoria | 9.1 | 12.2 | 5.8 | 5.8 | 7.3 | 6.3 | 4.8 |
| All others | 2.4 | 1.2 | 1.4 | 0.5 | 0.6 | 0.8 | 6.0 |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

The primary products, participation percentage and location of the Company's operations are set forth in the following table:

| Operation | Primary Products | Participation Percentage (1) | Location |
|------------------------------------|--------------------|------------------------------|----------------------------------|
| <u>Metals Segment</u> | | | |
| Republic Unit | Gold, silver | 100% | Washington |
| Greens Creek Unit | Silver, gold, zinc | 28% | Alaska |
| Lucky Friday Unit | Silver, lead | 100% | Idaho |
| Yellow Pine Unit | Gold | 100% | Idaho |
| Galena Unit | Silver | 12.5% | Idaho |
| Coeur Unit | Silver | 5% | Idaho |
| Escalante Unit | Silver | 100% | Utah |
| <u>Industrial Minerals Segment</u> | | | |
| Kentucky-Tennessee Clay: | | | |
| Ball Clay Division | Ball clay | 100% | Kentucky, Mississippi, Tennessee |
| Kaolin Division | Kaolin | 100% | Georgia, South Carolina |
| Colorado Aggregate | Scoria | 100% | Colorado, New Mexico |

(1) Participation percentages may be subject to additional royalties not reflected in the table.

- (a) Based on its periodic reviews of the status of various mining properties and investments, the Company determined in 1986 and 1984 that certain adjustments were appropriate to properly reflect the estimated net realizable values. The major portion of the Company's 1986 write-down of \$9,642,000 related to the Company's interest in the Revenue-Virginus mine. This interest was acquired as part of the merger with Ranchers Exploration and Development Corporation. The Revenue-Virginus lease was terminated during 1987. The remainder of the 1986 write-down reflects adjustments for closing out Ranchers Gold and Silver Exploration Program — 1980 (a limited partnership) and the anticipated sales, at less than carrying values, of the Company's interests in the Sherman mine near Leadville, Colorado, and the Tungsten Queen mine in North Carolina. During 1987, both the Sherman and Tungsten Queen mines were sold. The major portion of the Company's 1984 write-down of \$8,067,000 related principally to the Company's Victoria mine and miscellaneous mining property investments.
- (b) On March 29, 1989, the Company negotiated a settlement of the lawsuit brought by private party plaintiffs claiming damages resulting from operations conducted by the Company's predecessor in interest, Ranchers Exploration and Development Corporation, at an Arizona mine site. As part of the settlement, the Company agreed to pay \$1.6 million to reimburse the plaintiffs for a substantial portion of their construction costs to the current mine water treatment facility located at the mine site, and a substantial portion of the plaintiffs' legal fees and costs incurred in the litigation. The Company has accrued for these settlement costs during the three months ended March 31, 1989. The settlement also provides for Hecla to pay eighty percent (80%) of the ongoing maintenance costs associated with the current water treatment facilities and clarifies the Company's obligations should the plaintiffs incur additional costs beyond the current treatment facilities which result from the activities of Ranchers at the mine site. It is the opinion of management that the ongoing maintenance costs and other potential additional obligations will not have a material adverse effect on the operations or the financial condition of the Company and its consolidated subsidiaries.
- (c) In April 1984, Hecla and Sunshine Mining Company (Sunshine) entered into an agreement settling many outstanding issues between the companies. The principal provisions of the agreement called for: (1) an exchange of various nonproducing mineral and stock ownership interests to consolidate ownership thereof, (2) the transfer of Hecla's 33.25% ownership in the Sunshine Unit Area (a producing mineral property) to Sunshine, and (3) the issuance of 2,250,000 shares of Sunshine common stock to Hecla. As the result of this agreement, based on estimated fair values of assets received, Hecla reported a nonrecurring gain on the sale of approximately \$24,073,000.
- (d) Hecla and El Paso Natural Gas Company (El Paso) were the partners in a venture that was formed to operate the Lakeshore copper mine in Arizona. Hecla wrote off its investment in the mine property in 1978. The partnership had continuing commitments under power supply agreements that expired in October 1985. Simultaneously, the partnership was terminated and the remaining assets were distributed to the partners. Accordingly, Hecla eliminated its net reserve for discontinued operations and recognized \$4,694,000 of income from discontinued operations in 1985.
- (e) For financial statements, Hecla used net operating loss carryovers of \$7,900,000 in 1984 to offset otherwise taxable income. The current federal tax provisions in 1984 included approximately \$3,444,000 for preference taxes that became payable when the Company used its tax basis net operating losses.
- (f) As described in Note 1 of Notes to Consolidated Financial Statements, the Company prospectively adopted Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes, effective January 1, 1988. The effect of this change was to decrease net income by \$1,473,000, or \$.05 per share, which is reported as the cumulative effect of the change in accounting for income taxes.
- (g) During 1984 the Company changed the inventory accounting practice at certain Ranchers operations to conform to that of Hecla. The change involved including in inventory unused materials and supplies, which were previously charged to operations when they were purchased. The change, which is a preferable method of accounting, was made to facilitate management control of these inventories, and more accurately and consistently match the cost of operations with sales. The cumulative effect of the change was \$1,175,000 before applicable income tax effect of \$329,000. The effect of the change on 1984 operations was immaterial.
- (h) Earnings were inadequate to cover fixed charges for the years ended December 31, 1986 and 1985 and for the three months ended March 31, 1989 by \$23,256,000, \$8,669,000 and \$2,832,000, respectively.

Outlook for Second Quarter and Balance of 1989

If metal prices remain the same as those experienced during the first quarter of 1989, or decline further, the Company anticipates that it may experience a net loss during the second quarter of 1989, and possibly for the year ended December 31, 1989.

SELECTED FINANCIAL INFORMATION

The financial data included in the table below for the years ended December 31, 1984 through 1988, except for the ratio of earnings to fixed charges, have been derived from the consolidated financial statements for the Company and its wholly owned subsidiaries for those years that have been examined by Coopers & Lybrand to the extent set forth in its report thereon (see "Experts"). The selected financial data for the three months ended March 31, 1989 and 1988 set forth below are unaudited. In the opinion of the management of the Company, such three-month information reflects all material adjustments (consisting only of normal and recurring adjustments) necessary to a fair statement of the results for those periods. The results of operations for the three-month period ended March 31, 1989 are not necessarily indicative of the results to be expected for the full year. The following information should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1989, which are incorporated herein by reference (see "Incorporation of Certain Documents by Reference").

| | Three Months Ended March 31, | | Year Ended December 31, | | | | |
|--|------------------------------------|-------------|-------------------------|-----------|-------------|------------|------------|
| | 1989 | 1988 | 1988 | 1987 | 1986 | 1985 | 1984 |
| (In thousands, except per share amounts and ratios) | | | | | | | |
| Income Statement Data: | | | | | | | |
| Sales of products..... | \$ 24,171 | \$ 21,756 | \$102,303 | \$ 87,146 | \$ 60,935 | \$ 79,434 | \$109,450 |
| Gross profit | 3,783 | 4,607 | 29,826 | 27,177 | 1,837 | 4,865 | 25,012 |
| General and administrative..... | 2,021 | 1,851 | 8,229 | 7,795 | 7,477 | 6,167 | 14,825 |
| Exploration and research | 2,381 | 1,376 | 10,236 | 5,841 | 6,888 | 8,231 | 11,502 |
| Other operating expenses | 111 | 107 | 435 | 677 | 10,433 (a) | 580 | 8,808 (a) |
| Earnings (loss) from continuing operations | (730) | 1,273 | 10,926 | 12,864 | (22,961) | (10,113) | (10,123) |
| Other income (expense) | (1,726) (b) | 61 | 2,565 | (171) | (295) | 1,444 | 26,652 (c) |
| Income (loss) from continuing operations before extraordinary credit and cumulative effect of change in accounting principle .. | (2,539) | 6,420 | 16,602 | 10,336 | (21,232) | (8,918) | 7,629 |
| Income from discontinued operations | — | — | — | — | — | 4,694 (d) | — |
| Extraordinary credit — Estimated effect of utilization of net operating loss carryforwards | — | — | — | — | — | — | 3,617 (e) |
| Cumulative effect of change in accounting principle | — | (1,473) (f) | (1,473) (f) | — | — | — | 846 (g) |
| Net income (loss) | \$ (2,539) | \$ 4,947 | \$ 15,129 | \$ 10,336 | \$ (21,232) | \$ (4,224) | \$ 12,092 |
| Income (loss) per common share: | | | | | | | |
| Income (loss) from continuing operations before extraordinary credit and cumulative effect of change in accounting principle | \$ (0.09) | \$ 0.23 | \$ 0.61 | \$ 0.38 | \$ (0.79) | \$ (0.33) | \$ 0.29 |
| Income from discontinued operations .. | — | — | — | — | — | 0.17 | — |
| Extraordinary credit — Estimated effect of utilization of net operating loss carryforwards | — | — | — | — | — | — | 0.13 |
| Cumulative effect of change in accounting principle | — | (0.05) | (0.05) | — | — | — | 0.03 |
| Net income (loss) per common share | \$ (0.09) | \$ 0.18 | \$ 0.56 | \$ 0.38 | \$ (0.79) | \$ (0.16) | \$ 0.45 |
| Cash dividends declared per common share | \$ — | \$ — | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.20 | \$ 0.20 |
| Weighted average common shares outstanding | 27,004 | 27,002 | 27,003 | 26,990 | 26,970 | 26,974 | 26,929 |
| Ratio of earnings to fixed charges | (h) | 4.0:1 | 7.7:1 | 11.9:1 | (h) | (h) | 11.1:1 |

| | At March 31, | | At December 31, | | | | |
|--|--------------|-----------|-----------------|-----------|-----------|-----------|-----------|
| | 1989 | 1988 | 1988 | 1987 | 1986 | 1985 | 1984 |
| (In thousands) | | | | | | | |
| Balance Sheet Data: | | | | | | | |
| Total current assets | \$ 36,520 | \$ 29,786 | \$ 29,984 | \$ 31,459 | \$ 22,121 | \$ 34,886 | \$ 41,527 |
| Net properties, plants and equipment | 151,591 | 126,019 | 135,707 | 122,492 | 102,222 | 115,607 | 120,955 |
| Total assets | 212,451 | 176,991 | 188,852 | 170,716 | 140,281 | 170,932 | 190,305 |
| Current portion long-term debt | 67 | 61 | 67 | 61 | 56 | 94 | 455 |
| Working capital | 22,670 | 20,323 | 18,075 | 21,678 | 15,569 | 25,952 | 27,996 |
| Total current liabilities | 13,850 | 9,463 | 11,909 | 9,781 | 6,552 | 8,934 | 13,531 |
| Long-term debt | 40,332 | 15,399 | 17,332 | 10,399 | 460 | 574 | 668 |
| Total stockholders' equity | 141,233 | 136,669 | 142,860 | 131,292 | 118,162 | 143,840 | 156,554 |

(footnotes appear on the following page)

CAPITALIZATION

The following table sets forth the historical capitalization of the Company and its wholly owned subsidiaries as of March 31, 1989, and as adjusted to give effect to the sale of the LYONs offered hereby (assuming no exercise of the Underwriter's over-allotment option) and the application of a portion of the net proceeds to repay the outstanding borrowings under the Bank Credit Agreement, as set forth below. The following information should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1988 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1989, which are incorporated herein by reference.

| | March 31, 1989 | |
|--|------------------|------------------|
| | Historical | As Adjusted |
| | (in thousands) | |
| Long-term debt: | | |
| Notes payable to banks | \$ 40,000 | \$ — |
| Other | 332 | 332 |
| LYONs offered hereby | — | 53,956 |
| Total long-term debt | <u>40,332</u> | <u>54,288</u> |
| Shareholders' equity: | | |
| Preferred Stock, \$0.25 par value, authorized 5,000,000 shares; none issued | — | — |
| Common Stock, \$0.25 par value, authorized 50,000,000 shares; issued 27,044,812 | 6,761 | 6,761 |
| Capital surplus | 53,326 | 53,326 |
| Earnings retained in the business | 91,532 | 91,532 |
| Net unrealized loss on marketable equity securities | (9,775) | (9,775) |
| Treasury Stock reacquired at cost | (611) | (611) |
| Total shareholders' equity | <u>141,233</u> | <u>141,233</u> |
| Total capitalization | <u>\$181,565</u> | <u>\$195,521</u> |

THE COMPANY

Hecla is engaged in the mining and processing of gold, silver, other nonferrous metals and industrial minerals in the United States. The Company is also active in the exploration and development of precious and specialty metals and industrial mineral properties in the United States and Canada. The Company's headquarters are located at 6500 Mineral Drive, Box C-8000, Coeur d'Alene, Idaho 83814-1931, and its telephone number is (208) 769-4100.

USE OF PROCEEDS

The aggregate net proceeds to the Company from the sale of the LYONs offered hereby are estimated to be approximately \$52.0 million (or approximately \$59.8 million if the Underwriter's over-allotment option is exercised in full). The Company currently anticipates that the net proceeds from the LYONs offering will be used primarily to repay the outstanding borrowings under the Company's \$75 million revolving credit term loan agreement, under which there are currently approximately \$40.0 million outstanding (the "Bank Credit Agreement"). The balance of the net proceeds will be used for general corporate purposes. The interest costs on borrowings made under the Bank Credit Agreement are based on fluctuating base rates and are currently approximately 10.6%, and for the three months ended March 31, 1989 averaged approximately 10.3% per annum. Subsequent to this offering the Company may, from time to time, make new borrowings under the Bank Credit Agreement, which borrowings would constitute Senior Indebtedness. Pending their application as set forth above, the Company may invest the net proceeds or a part thereof in short-term, interest-bearing securities.

PRICE RANGE OF COMMON STOCK

The Common Stock is listed on the New York Stock Exchange and is traded under the symbol HL. The Common Stock is also listed on the Pacific Stock Exchange. The following table sets forth for the calendar periods indicated the high and low closing sale prices per share of the Common Stock as reported on the New York Stock Exchange Composite Tape:

| | Common Stock | |
|---|--------------|-------|
| | High | Low |
| 1987 | | |
| First Quarter..... | \$18½ | \$10½ |
| Second Quarter | 24¾ | 17 |
| Third Quarter | 23¼ | 19¼ |
| Fourth Quarter..... | 20 | 10½ |
| 1988 | | |
| First Quarter..... | 14¾ | 11¾ |
| Second Quarter | 15¾ | 12¾ |
| Third Quarter | 17¾ | 13¾ |
| Fourth Quarter..... | 15½ | 12¼ |
| 1989 | | |
| First Quarter..... | 14¾ | 12½ |
| Second Quarter (through June 7, 1989) | 13¾ | 11½ |

On June 7, 1989, the last reported sale price of the Common Stock was \$12¾ per share.

DIVIDEND POLICY

The Company paid cash dividends of \$.05 per share during each of the fourth quarters of 1988 and 1987. The declaration of dividends on the Company's Common Stock is subject to the discretion of the Board of Directors of the Company and depends on many factors, including the performance of the Company and its subsidiaries, which is significantly influenced by metal prices, the Company's capital requirements and general economic conditions.

Summary Financial Data

(In thousands, except per share amounts and ratios)

| | Three Months Ended March 31, | | Year Ended December 31, | | | | |
|--|------------------------------|-------------|-------------------------|-----------|-------------|------------|------------|
| | 1989 | 1988 | 1988 | 1987 | 1986 | 1985 | 1984 |
| Income Statement Data: | | | | | | | |
| Sales of products..... | \$ 24,171 | \$ 21,756 | \$102,303 | \$ 87,146 | \$ 60,935 | \$ 79,434 | \$109,480 |
| Gross profit | 3,783 | 4,607 | 29,826 | 27,177 | 1,837 | 4,865 | 25,012 |
| General and administrative..... | 2,021 | 1,851 | 8,229 | 7,795 | 7,477 | 6,167 | 14,825 |
| Exploration and research | 2,381 | 1,376 | 10,236 | 5,841 | 6,888 | 8,231 | 11,502 |
| Other operating expenses | 111 | 107 | 435 | 677 | 10,433 (a) | 580 | 8,808 (a) |
| Earnings (loss) from continuing operations | (730) | 1,273 | 10,926 | 12,864 | (22,961) | (10,113) | (10,123) |
| Other income (expense) | (1,726) (b) | 61 | 2,565 | (171) | (295) | 1,444 | 26,652 (c) |
| Income (loss) from continuing operations before extraordinary credit and cumulative effect of change in accounting principle | (2,539) | 6,420 | 16,602 | 10,336 | (21,232) | (8,918) | 7,629 |
| Income from discontinued operations | — | — | — | — | — | 4,694 (d) | — |
| Extraordinary credit | — | — | — | — | — | — | 3,617 (e) |
| Cumulative effect of change in accounting principle | — | (1,473) (f) | (1,473) (f) | — | — | — | 846 (g) |
| Net income (loss) | \$ (2,539) | \$ 4,947 | \$ 15,129 | \$ 10,336 | \$ (21,232) | \$ (4,224) | \$ 12,092 |
| Net income (loss) per common share | \$ (0.09) | \$ 0.18 | \$ 0.56 | \$ 0.38 | \$ (0.79) | \$ (0.16) | \$ 0.45 |
| Ratio of earnings to fixed charges... | (h) | 4.0:1 | 7.7:1 | 11.9:1 | (h) | (h) | 11.1:1 |

| | At March 31, | | At December 31, | | | | |
|-------------------------------------|--------------|-----------|-----------------|-----------|-----------|-----------|-----------|
| | 1989 | 1988 | 1988 | 1987 | 1986 | 1985 | 1984 |
| Balance Sheet Data: | | | | | | | |
| Total assets..... | \$212,451 | \$176,991 | \$188,852 | \$170,716 | \$140,281 | \$170,932 | \$190,305 |
| Working capital | 22,670 | 20,323 | 18,075 | 21,678 | 15,569 | 25,952 | 27,996 |
| Current portion long-term debt | 67 | 61 | 67 | 61 | 56 | 94 | 455 |
| Long-term debt | 40,332 | 15,399 | 17,332 | 10,399 | 460 | 574 | 665 |
| Total stockholders' equity..... | 141,233 | 136,669 | 142,860 | 131,292 | 118,162 | 143,840 | 156,884 |

(a)-(h) See notes (a) through (h) to "Selected Financial Information" for a discussion of the financial information appearing above.

| | |
|--|---|
| Subordination | The LYONs will be subordinated to all existing and future Senior Indebtedness of the Company. The Company currently conducts a portion of its business through subsidiaries; thus the LYONs will also be effectively subordinated to creditors of the Company's subsidiaries with respect to the assets of such subsidiaries. At March 31, 1989, the Company had approximately \$40.4 million of indebtedness (excluding accrued interest thereon), which would have constituted Senior Indebtedness, approximately \$40.0 million of which will be repaid by application of a portion of the net proceeds of this offering. See "Use of Proceeds"; "Description of LYONs-Subordination of LYONs; Effect of Corporate Structure." |
| Original Issue Discount | Each LYON is being offered at an Original Issue Discount for Federal income tax purposes equal to the excess of the principal amount due at maturity of the LYON over the amount of its Issue Price. See "Certain Tax Aspects." |
| Sinking Fund | None. |
| Optional Redemption | The LYONs will not be redeemable by the Company prior to June 14, 1991, unless the closing sale price of the Common Stock equals or exceeds \$22.21 per share (as adjusted upon certain events) for at least 20 trading days within 30 consecutive trading days ending not more than five trading days prior to notice of redemption. Subject to the foregoing, the LYONs are redeemable in cash at any time at the option of the Company, in whole or in part, at Redemption Prices equal to the Issue Price plus accrued Original Issue Discount to the date of redemption. |
| Purchase at the Option of the Holder | The Company will purchase any LYON at the option of the Holder on June 14, 1994 at a Purchase Price of \$456.39 (Issue Price plus accrued Original Issue Discount to such date). The Company, at its option, may pay such Purchase Price in cash, shares of Common Stock or Extension Notes, but not in any combination thereof. In addition, 35 business days after the occurrence of a Change in Control of the Company occurring on or prior to June 14, 1994, the Company will also purchase for cash any LYON, at the option of the Holder, at a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount to the date set for such purpose. The Change in Control purchase feature of the LYONs may in certain circumstances have an anti-takeover effect. See "Description of LYONs — Purchase of LYONs at the Option of the Holder" and "— Change in Control Permits Purchase of LYONs at the Option of the Holder." |
| Use of Proceeds | The Company will use the net proceeds of this offering primarily to repay the outstanding borrowings under the Company's \$75.0 million revolving credit term loan agreement, under which there are currently approximately \$40.0 million outstanding. The remainder of the net proceeds will be used for general corporate purposes. |
| Listing | Application has been made to list the LYONs and the Common Stock into which they are convertible on the New York Stock Exchange and the Pacific Stock Exchange. |

PROSPECTUS SUMMARY

The following summary is qualified by the detailed information and financial statements included elsewhere or incorporated by reference in this Prospectus.

The Company

Hecla is engaged in the mining and processing of gold, silver, other nonferrous metals and industrial minerals in the United States. The Company is also active in the exploration and development of precious and specialty metals and industrial mineral properties in the United States and Canada. The Company currently has interests in seven precious metals operations and three industrial mineral units. In 1988 the Company produced approximately 103 thousand ounces of gold, 4.5 million ounces of silver and 500 thousand tons of industrial minerals.

Over the past three years, Hecla has implemented a significant exploration, development and acquisition program designed to increase its production and reserves of materials which it believes can be produced at favorable costs in relation to prevailing market prices, including gold and specialty metals. In addition, the Company has sought to develop opportunities for low cost domestic silver production and expansion of its industrial minerals operations. For the period from January 1, 1986 through March 31, 1989, Hecla has invested \$85 million in capital expenditures, and \$25.3 million in exploration and research activities.

As a result of this program, Hecla has substantially increased its gold production and increased its gold reserves to approximately 720,000 contained ounces of gold at the end of 1988 from approximately 50,000 contained ounces of gold at the beginning of 1986. In addition, the Company has increased its silver reserve position over the past three years with the addition of new higher grade silver reserves to replace the reserves of its more mature silver operations. Hecla has also expanded into specialty metals with the acquisition of a germanium-gallium-copper mine which is expected to begin production by the end of 1989 and has expanded its industrial minerals segment with the recent acquisition of a kaolin operation.

The revenues and profitability of the Company are significantly influenced by the prices of gold and silver. See "Business — Metals Segment."

The Offering

| | |
|----------------------------------|--|
| LYONs | \$175,000,000 aggregate principal amount at maturity (excluding \$26,250,000 subject to the Underwriter's over-allotment option) of LYONs due June 14, 2004. There will be no periodic interest payments on the LYONs. Each LYON will have an Issue Price of \$308.32 and a principal amount due at maturity of \$1,000. |
| Yield to Maturity of LYONs | 8.00% per annum (computed on a semiannual bond equivalent basis) calculated from June 14, 1989. |
| Conversion Rights | Each LYON will be convertible, at the option of the Holder, at any time on or prior to maturity, unless previously redeemed or otherwise purchased, into Common Stock at the Conversion Rate of 20.824 shares per LYON. The Conversion Rate will not be adjusted for accrued Original Issue Discount, but will be subject to adjustment upon the occurrence of certain events affecting the Common Stock. Upon conversion, the Holder will not receive any cash payment representing accrued Original Issue Discount; such accrued Original Issue Discount will be deemed paid by the Common Stock received on conversion. |

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE LYONS OFFERED HEREBY AND THE COMPANY'S OUTSTANDING COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, THE PACIFIC STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company can be inspected and copied at the Public Reference Room of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the public reference facilities maintained by the Commission at 26 Federal Plaza, New York, New York 10278 and Suite 3190, 230 South Dearborn Street, Chicago, Illinois 60604. Copies of such materials can be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Documents filed by the Company can also be inspected at the offices of the New York Stock Exchange, Inc. (the "New York Stock Exchange"), 20 Broad Street, New York, New York 10005, and at the offices of the Pacific Stock Exchange, 301 Pine Street, San Francisco, California 94104, on which exchanges certain of the Company's securities are listed.

This Prospectus constitutes a part of a Registration Statement on Form S-3 (the "Registration Statement") filed by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act"), and amended on June 5, 1989, relating to the LYONs offered hereby. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and to the exhibits thereto for further information with respect to the Company and the LYONs offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and in each instance reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission (file no. 1-8491) are incorporated in this Prospectus by reference and hereby made a part hereof:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1988;
2. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1989; and
3. The Company's Registration Statement on Form 8-A dated May 19, 1986 relating to the Rights Plan (as defined below).

All reports and other documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the termination of the offering of the LYONs, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom a copy of this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all of the documents incorporated herein by reference, other than exhibits to such documents (except for exhibits that are specifically incorporated by reference herein). Requests for such copies should be directed to the Company's principal executive offices located at 6500 Mineral Drive, Box C-8000, Coeur d'Alene, Idaho 83814-1931, to the attention of William J. Grismer, Secretary (tel. no. (208) 769-4100).

PROSPECTUS

\$175,000,000

Hecla Mining Company
Liquid Yield Option™ Notes due 2004
(Zero Coupon-Subordinated)

The Issue Price of each Liquid Yield Option™ Note ("LYON"™) will be \$308.32 (30.832% of principal amount at maturity) and there will be no periodic payments of interest. The LYONs will mature on June 14, 2004. The LYONs will be subordinated to all existing and future Senior Indebtedness of Hecla Mining Company ("Hecla" or the "Company"), and will be effectively subordinated to all existing and future indebtedness of the subsidiaries of the Company. As of March 31, 1989, the Company would have had approximately \$0.4 million of Senior Indebtedness outstanding after application of a portion of the net proceeds of this offering. See "Use of Proceeds"; "Description of LYONs-Subordination of LYONs; Effect of Corporate Structure."

Each LYON will be convertible at the option of the Holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased, into common stock, par value \$0.25 per share, of the Company (the "Common Stock") at the Conversion Rate of 20.824 shares per LYON. The Conversion Rate will not be adjusted for accrued Original Issue Discount but will be subject to adjustment upon the occurrence of certain events affecting the Common Stock of the Company. Upon conversion, the Holder will not receive any cash payment representing accrued Original Issue Discount; such accrued Original Issue Discount will be deemed paid by the Common Stock received on conversion. See "Description of LYONs-Conversion Rights." On June 7, 1989, the last reported sale price of the Common Stock on the New York Stock Exchange Composite Tape was \$12 $\frac{7}{8}$ per share.

Each LYON will be purchased by the Company at the option of the Holder on June 14, 1994 for a purchase price of \$456.39 (Issue Price plus accrued Original Issue Discount to such date) to be paid, at the option of the Company, in cash, shares of Common Stock or Subordinated Extension Notes due 2004 of the Company (the "Extension Notes"), but not in any combination thereof. See "Description of LYONs-Purchase of LYONs at the Option of the Holder." In addition, 35 business days after the occurrence of any Change in Control of the Company occurring on or prior to June 14, 1994, each LYON will be purchased at the option of the Holder by the Company for a purchase price, in cash, equal to the Issue Price plus accrued Original Issue Discount to the date set for such purchase. The Change in Control purchase feature of the LYONs may in certain circumstances have an anti-takeover effect. See "Description of LYONs-Change in Control Permits Purchase of LYONs at the Option of the Holder."

Prior to June 14, 1991, the LYONs are not redeemable unless the closing sale price of the Common Stock equals or exceeds \$22.21 per share (as adjusted upon certain events) for at least 20 trading days within 30 consecutive trading days ending not more than five trading days prior to notice of redemption. Subject to the foregoing, the LYONs are redeemable at the option of the Company at Redemption Prices equal to the Issue Price plus accrued Original Issue Discount to the date of redemption. See "Description of LYONs-Redemption of LYONs at the Option of the Company."

The price to the public of a LYON represents a yield to maturity of 8.00% per annum (computed on a semiannual bond equivalent basis) calculated from June 14, 1989.

For a discussion of certain federal income tax consequences to Holders of LYONs, see "Certain Tax Aspects."

Application has been made to list the LYONs and Common Stock into which they are convertible on the New York Stock Exchange and the Pacific Stock Exchange.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE
SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

| | Principal Amount at Maturity | Price to Public | Underwriting Discount (1) | Proceeds to Company (2) |
|-----------------|------------------------------------|-----------------|------------------------------|----------------------------|
| Per LYON | 100% | 30.832% | .925% | 29.907% |
| Total (3) | \$175,000,000 | \$53,956,000 | \$1,618,680 | \$52,337,320 |

- (1) The Company has agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."
- (2) Before deducting expenses payable by the Company estimated at \$350,000.
- (3) The Company has granted the Underwriter an option, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional \$26,250,000 aggregate principal amount at maturity of LYONs on the same terms and subject to the same conditions as set forth above to cover over-allotments, if any. If the option is exercised in full, the total "Principal Amount at Maturity," "Price to Public," "Underwriting Discount" and "Proceeds to Company" will be \$201,250,000, \$62,049,400, \$1,861,482, and \$60,187,918, respectively. See "Underwriting."

The LYONs are offered by the Underwriter, subject to prior sale, when, as and if delivered to and accepted by the Underwriter, and subject to certain other conditions. The Underwriter reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the LYONs will be made in New York, New York on or about June 14, 1989.

™Trademark of Merrill Lynch & Co., Inc.

Merrill Lynch Capital Markets

The date of this Prospectus is June 7, 1989.

This page is a reference page used to track documents internally for the Division of Oil, Gas and Mining

Mine Permit Number MO210004 Mine Name Escalante Silver
Operator Hecla Mining Co Date June 7, 1989
TO _____ FROM _____

☐ CONFIDENTIAL ☐ BOND CLOSURE ☐ LARGE MAPS ☒ EXPANDABLE
☐ MULTIPUL DOCUMENT TRACKING SHEET ☐ NEW APPROVED NOI
☐ AMENDMENT ☐ OTHER _____

Description YEAR-Record Number

☐ NOI ☒ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

Liquid Yield Option Notes due 2004
(Zero Coupon Subordinated)

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ TEXT/ 8 1/2 X 11 MAP PAGES ☐ 11 X 17 MAPS ☐ LARGE MAP

COMMENTS: _____

CC: _____